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2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
FACSIMILE (202) 225-3974
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Statement of Representative Henry A. Waxman The Prosperity Index October 17, 2002

Two years ago, when President Bush took office, he inherited the best economy in decades. Unemployment was low. The economy was growing. And the federal budget was expected to show a trillion dollar surplus over the next decade.

Now, less than two years later, our economic prosperity is in precipitous decline. Millions of workers have lost their jobs. We have been through one recession, and some experts think we may be headed for a second dip. And the federal budget is now in deficit, with trillions of dollars expected to be diverted from the Social Security trust fund to pay for tax cuts and other government spending.

In order to assess how the economy has performed since President Bush took office, Rep. Gephardt, Rep. Spratt, and I asked the staff on the Committee on Government Reform to develop a clear and simple measure of the nation's economic and fiscal well-being.

The result is the Prosperity Index -- an index that combines the three most important indicators of the state of the nation's economy:

- (1) The real growth rate in the national gross domestic product (GDP);
- (2) The unemployment rate; and
- (3) The federal budget surplus or deficit (as a percent of GDP).

Over 20 years ago, President Reagan used a "misery index" to encapsulate what was wrong with the national economy. The Prosperity Index is a contemporary version of the same concept.

Here's what the Prosperity Index tells us: our economy is on the wrong track.

In 2000, the year before President Bush took office, the Prosperity Index reached a 34-year high.

But in 2001, the first year of the Bush Administration, the Index experienced its largest decline in 20 years.

Today the Prosperity Index is in negative territory. As the chart shows, we're back to levels last seen at the end of the first Bush Administration.

Other measures of economic performance confirm what the Prosperity Index reveals: the nation's economic prosperity is in sharp decline. Since the start of the Bush Administration:

- Bankruptcy filings and mortgage foreclosures have reached record highs;
- Family incomes have dropped for the first time in ten years;
- The economy has lost over one million jobs;
- Over 1.3 million Americans have slipped into poverty;
- Over 1.4 million Americans have lost their health insurance.

Economists can debate the causes of the rapid drop in the nation's economic prosperity. But it is clear that the policies adopted by the Republican House and the Bush Administration have been major contributing factors.

The Administration's tax legislation, which Congress enacted last year, is the single largest factor responsible for turning the \$3 trillion surplus into a deficit of over \$2 trillion.

And the Administration has failed to restore public confidence in our economy. They have appointed industry insiders like Harvey Pitt to key regulatory positions. They are subverting attempts to reform the accounting industry. They oppose meaningful reforms to prevent market abuses, like those that caused the California energy crisis. They do not support meaningful pension reforms.

It's time for a change. We can get the economy moving again and restore America's prosperity. We must give all families the economic security they deserve.